

eSecLending Sale

On May 18, 2006, the sale of eSecLending to TA Associates was finalized and closed. Staff notified the members of the Investment Committee of the pending sale in a memo dated March 23, 2006. This attachment serves as an update on the transaction.

As background, CalPERS entered into a Joint Venture Agreement with United Asset Management Global Securities Lending, Inc. on October 23, 2000. In mid- 2000, Old Mutual plc purchased the assets of United Asset Management (UAM), which included UAM's Global Securities Lending business.

The Joint Venture Company, eSecLending, was organized for the purpose of providing online securities lending auction and support services. CalPERS received a 25 percent interest in the domestic operations of eSecLending, as well as dividends from qualifying domestic clients in exchange for CalPERS co-creating and promoting the innovative online lending auction platform.

Since the formation of eSecLending in October of 2000, CalPERS' securities lending program has reaped significant benefits from the implementation of an online auction based model; CalPERS' securities lending program earnings have almost tripled during that time period. As the success of the platform has received market attention, other pension plans have adopted the model as their primary route to the exclusive placement of securities lending portfolios.

As a result, not only has CalPERS' securities lending program benefited directly, it has also benefited indirectly from the increased value of the venture itself. As part of that sale, CalPERS received compensation on the equity interest from the venture on the day of the close (in Q2 2006). CalPERS will continue to work with eSecLending.

TA Associates is a leading private equity and buyout firm based in Boston. CalPERS established a relationship with TA Associates through Grove Street Advisors in 2000 and currently have over \$260 million committed to various private equity funds.